

**DEPARTMENT OF TAXATION  
2026 Fiscal Impact Statement**

- 1. **Patron** Jennifer B. Boysko
- 3. **Committee** Senate Finance and Appropriations
- 4. **Title** Income Tax; Broadband Grant Fund Awards Subtraction

- 2. **Bill Number** SB 380
- House of Origin:**
  - Introduced**
  - Substitute**
  - Engrossed**
- Second House:**
  - In Committee**
  - Substitute**
  - Enrolled**

**5. Summary/Purpose:**

This bill would provide an individual and corporate income tax subtraction for any amount of public grant awards received in the taxable year for the exclusive purpose of planning, constructing, expanding, or improving upon broadband infrastructure and services in Virginia.

This bill would be effective for taxable years beginning on and after January 1, 2026.

- 6. **Budget amendment necessary:** No.
- 7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)
- 8. **Fiscal implications:**

Administrative Costs

The Department of Taxation (“the Department”) considers this bill as routine and does not require additional funding.

This legislation does not require significant changes to the Department’s systems and is not impacted by the first phase of the Integrated Revenue Management System (“IRMS”) replacement project. No resource constraints or implementation considerations are anticipated.

Revenue Impact

This bill would have an unknown negative General Fund revenue impact beginning in Fiscal Year 2027. The revenue impact of the bill is highly uncertain because it is not known which state and federal programs will provide future grants and it is not possible to estimate the unspent and undisbursed state amounts that will be disbursed each year for each project.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

**10. Technical amendment necessary:** No.

**11. Other comments:**

Federal Tax Treatment of Broadband Grant Funds

Prior to the 2017 Tax Cuts and Jobs Act (“TCJA”), broadband grant funds were generally exempt from taxation based on a favorable interpretation of Section 118 of the Internal Revenue Code (“IRC”). But the TCJA amended Section 118 to the effect that “contributions to capital” (including grants) made from governmental or civic groups to a corporation are taxable as gross income. Federal legislation has been introduced to address this issue, but such legislation has not been enacted.

Virginia’s Individual Income Tax Modifications

*Federal Adjusted Gross Income*

Virginia’s Individual Income Tax substantially conforms to federal income tax law by using federal adjusted gross income (“FAGI”) as the starting point for computing Virginia income taxes. Virginia law then provides various modifications to FAGI that must be taken into account that figure in determining Virginia taxable income.

*Virginia Adjusted Gross Income*

When completing a Virginia individual income tax return, a taxpayer starts with the amount of FAGI reported on his federal return. A taxpayer then calculates Virginia adjusted gross income by making two types of adjustments: (1) “additions” which increase the amount of income taxable by Virginia and (2) “subtractions” which reduce such amount. These adjustments are made only to the extent that they have not already been included or excluded from FAGI.

*Virginia Taxable Income*

The taxpayer calculates his Virginia taxable income by making another type of modification referred to as “deductions,” which further reduce the amount of income taxable by Virginia. These modifications are made regardless of federal treatment unless specifically stated otherwise in the provision.

Please find below an illustration of how taxable income is computed for federal and Virginia income tax purposes and how they interrelate:

Federal Income Tax	Virginia Income Tax
+Wages and Other Income	=Federal Adjusted Gross Income ("FAGI")
+Federal Adjustments	+Virginia Additions (only if not included in FAGI)
-Federal Adjustments	-Virginia Subtractions (only if not excluded from FAGI)
=Federal Adjusted Gross Income ("FAGI")	=Virginia Adjusted Gross Income ("VAGI")
-Federal Standard Deduction or Itemized Deductions	-Virginia Standard Deduction or Federal Itemized Deductions (depends on federal election)
-QBI Deduction	-Deduction for Virginia Exemptions
	-Virginia Deductions (regardless of federal treatment)
=Federal Taxable Income	=Virginia Taxable Income

Because this bill would establish a new Virginia individual income tax subtraction, the amount allowed under this bill could be taken whether the taxpayer chooses to take the Virginia standard deduction or itemize their deductions.

Proposal

This bill would provide an individual and corporate income tax subtraction for any amount of public grant awards received in the taxable year for the exclusive purpose of planning, constructing, expanding, or improving upon broadband infrastructure and services in Virginia.

No subtraction would be allowed for any income or interest derived from the investment or use of broadband grant funds for purposes unrelated to improving broadband infrastructure and services in Virginia.

"Broadband grant funds" means any monetary award or disbursement provided to the taxpayer by the federal government, Virginia, any agencies or political subdivisions thereof, or any public bodies, for the exclusive purpose of planning, constructing, expanding, or improving upon broadband infrastructure and services in Virginia.

This bill would be effective for taxable years beginning on and after January 1, 2026.

Similar Bills

**HB 458** and **HB 1155** are identical to this bill.

cc : Secretary of Finance

Date: 01/24/2026 JLOF  
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